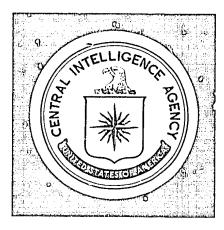
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DIRECTORATE OF INTELLIGENCE

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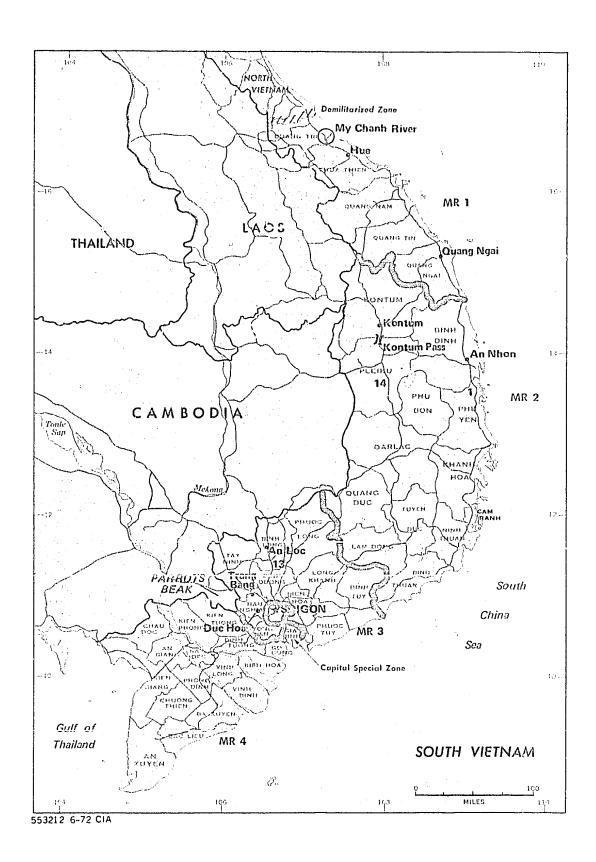
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SOUTH VIETNAM: Fighting continued at moderate levels on all three major fronts in South Vietnam on 8 June.

Military action picked up in the northern provinces as South Vietnamese marines launched their third spoiling operation into enemy-held Quang Tri Province. Five marine battalions are attacking along a 15-mile front from the government's My Chanh River defense line near the coast; they have apparently met only light resistance so far.

Farther south in Military Region 1,

Viet Cong forces are preparing
assaults against district capitals in both Quang
Nam and Quang Ngai provinces during the next week.

If these succeed, they reportedly intend to attack
Ouang Ngai City.

South Vietnamese forces still are clearing the northern outskirts of Kontum City of the last enemy troops dug in there. The enemy has been driven from firing positions within range of the town's airfield and aircraft can land there again. Route 14 is still interdicted at Kontum Pass, and bad weather is hampering the government's efforts to reopen the road. To the east, in Binh Dinh Province, the Communists appear to have committed two battalions in An Nhon District. Approximately 50 government troops have been killed in recent clashes, and the Communists have taken control of a section of Route 1 north of An Nhon town.

A South Vietnamese airborne unit has linked up with a main government position just south of An Loc. The main relief column, however, remains stalled along Route 13 about nine miles to the south. In Hau Nghia Province, west of Saigon, Communist forces again shelled government positions and attacked territorial forces around Trang Bang and Duc Hoa district towns.

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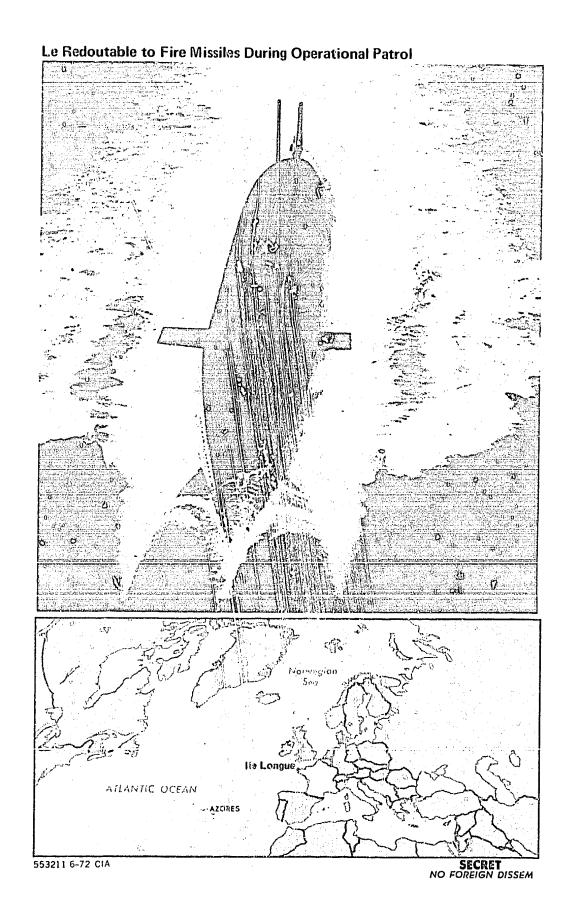
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Saigon has assigned more than two infantry divisions, an airborne brigade, and an armored cavalry regiment to the An Loc operation; forces defending other sections of Military Region 3 are spread thin, and the enemy is trying to take advantage of this. There are indications that fresh enemy attacks have been scheduled for mid-June in MR-3. (SECRET NO FOREIGN DISSEM)

2



FRANCE: The nuclear-powered ballistic missile submarine Le Redoutable soon will conduct its first missile test firings during an operational patrol.

According to the US defense attaché in Paris, the missiles, probably one or two selected at random, are to be fired in early July in the vicinity of the Azores near the end of the submarine's present patrol. Le Redoutable departed the French nuclear submarine base at Ile Longue near Brest on 3 May and is currently in the Norwegian Sea. It is to remain on patrol for the standard 72-day period them return to port for the normal 28 days for maintenance and change of crew.

The second French missile submarine, Le Terrible, reported to the Ile Longue base for the first time on 5 June. It is undergoing checkout before a pre-operational cruise of some 40 days. Le Terrible is scheduled to begin its first operational patrol of 72 days before the end of this year. (SECRET NO FOREIGN DISSEM)

TURKEY: Recent local elections have again demonstrated the firm hold the conservative Justice Party has on the bulk of the electorate.

The party, which has been under something of a shadow since the military ousted former prime minister Demirel's government in March 1971, won about half of the 212 mayorality seats being contested. The other major party, the Republican People's Party, won only about 30 seats, with 48 going to independents. About one sixth of the municipalities in the country were involved. In the important Izmir Consular District, the Justice Party won 41 of the 53 mayorality contests.

Local elections also were held in all villages and districts and the Justice Party press claims to have won about 70 percent of the local council seats; this would indicate that the party also won the bulk of the contests for district and village headmen.

The military must have been impressed by this demonstration of the continuing strength and organizational ability of the Justice Party. The party's showing may bring added pressure from the military for electoral reforms designed to limit Justice Party representation in the next parliament; parliamentary elections are scheduled for next year. (SECRET)

MALAGASY REPUBLIC: General Ramanantsoa has announced the release of former vice-president Andre Resampa, arrested last June on charges of plotting against President Tsiranana in complicity with US Embassy officials.

The decision has further weakened the position of the figurehead president. Ramanantsoa implicitly exonerated Resampa of all charges and also clearly implied that Tsiranana had engineered the former vice-president's disgrace. Tsiranana made a separate statement approving the action, but this evidently was done at Ramanantsoa's instigation. On 3 May, the President had repudiated his accusation of US involvement.

Ramanantsoa's decision should help to consolidate the new regime's popular support. It is responsive to demands from students and workers for the release of political prisoners, and the release of Resampa could herald the freeing of numerous others imprisoned for allegedly plotting against Tsiranana. The release of Resampa was probably intended to help undercut officials of the ousted regime who have attempted to arouse pro-Tsirana. sentiment by exploiting tribal animosities.

Resampa is now in a position to make a political comeback. Before his arrest, he had broad popular support throughout the island, and he is one of the few national political leaders not associated with the discredited Tsiranana regime. (CONFIDENTIAL)

NOTES

INDONESIA: Recent reductions in commercial bank interest rates reflect the improved condition of the economy, including the sharply reduced level of inflation. Interest rates have been falling for some time now. The present 18-percent annual rate paid for 12-month time deposits compares with 72 percent paid in 1968. Djakarta's lower rates will stimulate economic expansion by encouraging increased investment spending, which has remained sluggish despite the country's success in stabilizing the economy. There is some possibility, however, that the lower rates will also induce an outflow of foreign funds, adversely affecting the country's weak foreign exchange position. DENTIAL)

AFGHANISTAN: Prime Minister Zahir may resign in the next few days. After weeks of procrastination, Zahir finally appeared before the lower house of parliament for questioning on 6 June, but refused to give oral answers. The session, which was remarkably like the one that preceded Prime Minister Etemadi's resignation last year, ended amid general disorder with some deputies raising the possibility of a no-confidence vote when the house next meets on Sunday. A US Embassy officer who attended believes the session may have been arranged with the knowledge of the King in order to pave the way for changing the government. The King has become inemeasingly dissatisfied with Zahir's failure to deal with problems such as food distribution and with his inability to get along with parliament. (CONFIDENTIAL)

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